

28 February 1984

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Executive Director

Executive Registry

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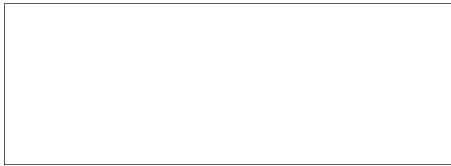
NOTE FOR: Randy Fort
Assistant Director, PFIAB

FROM: Executive Assistant/Executive
Director

SUBJECT: Request for Materials Given to
Proxmire Subcommittee on Soviet
Defense Spending

Randy:

Here are some studies for your
committee which is studying the
methodology CIA uses as well as our
conclusions on Soviet defense spending.



Attachments

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DDI- 00504/84/1

23 February 1983

A. Three papers lay out our ruble and dollar estimates and the underlying methodology.

1. Soviet Defense Spending: Recent Trends and Future Prospects.
2. A Comparison of Soviet and US Defense Activities, 1972-81,
3. The CIA Approach to Estimating Soviet Defense Spending.

B. One paper gives the result of a review of our work by an outside panel of experts.

1. Report of Working Group on Soviet Military Economic Analysis.

C. Two papers document recent work released through the JEC.

1. Hearings on the Allocation of Resources in the Soviet Union and China--1983.
2. Soviet Defense Trends: A Staff Study.

D. Two items--a coordinated DIA/CIA statement produced for Secretary Weinberger and a DIA paper--summarize the relationship of CIA and DIA work in this area.

UNCLASSIFIED when
separated from attachments

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Directorate of
Intelligence

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Soviet Defense Spending: Recent Trends and Future Prospects

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An Intelligence Assessment

Top Secret

July 1983

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A Comparison of Soviet and US Defense Activities, 1972-81

An Intelligence Assessment

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Secret

*SOV 83-10035
February 1983*

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**Directorate of
Intelligence**

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The CIA Approach to Estimating Soviet Defense Spending

A Research Paper

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Secret

August 1982

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REPORT OF THE WORKING GROUP
ON
SOVIET MILITARY ECONOMIC ANALYSIS

July 20, 1983

Ivan Selin
Chairman

Abraham Becker
Chairman, Methodology Panel

Robert Campbell
William Hyland
Gail Lapidus
Joseph Nye
Thomas Schelling
Vladimir Trembl

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HEARINGS

ON

THE ALLOCATION OF RESOURCES IN THE SOVIET UNION AND CHINA -- 1983

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE, FINANCE, AND SECURITY ECONOMICS

OF THE

JOINT ECONOMIC COMMITTEE

UNITED STATES CONGRESS

20 SEPTEMBER 1983

SOVIET DEFENSE TRENDS

A Staff Study

Prepared For The Use Of The
SUBCOMMITTEE ON INTERNATIONAL TRADE,
FINANCE, AND SECURITY ECONOMICS

Of The

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

September 1983

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1 February 1984

CIA and DIA Estimates of Soviet Defense Costs

Both CIA and DIA estimate Soviet defense costs. Soviet defense costs in ruble terms are used to assess the burden of defense on the Soviet economy. The dollar estimates are used to compare the costs of Soviet defense activities with comparable US figures. These cost estimates are most useful in identifying general trends and assessing priorities in Soviet efforts, rather than in precisely measuring Soviet outlays in particular years. In addition, detailed estimates of production for particular weapons systems are developed to support the costing work.

- CIA estimates Soviet defense costs in both ruble and dollar terms, and develops a detailed set of production estimates for Soviet weapons systems.
- DIA estimates Soviet defense expenditures in ruble terms, but uses a totally different methodology than the CIA. DIA also estimates production and dollar costs for major weapons systems, but does not produce a total dollar estimate for comparison with US figures.

While there are some differences in the details of their estimates, both agencies share the same general impressions of developments over time.

- Over the past decade the dollar cost of Soviet defense activities exceeded comparable US spending by a large margin for every resource category and every mission area. Soviet total dollar costs exceeded comparable US outlays by 45 percent over the 1973-82 period.
- The much greater Soviet effort in procurement over the last ten years is clearly reflected in purchases of major weapons. For example, the Soviets produced four to five times the number of ICBMs, three times as many submarines, twice the number of tactical combat aircraft, and four times the number of tanks that the US acquired over the same period.
- Resources devoted to Soviet defense have grown continuously for the last two-and-a-half decades. This has resulted in a substantial modernization of all the Soviet forces.



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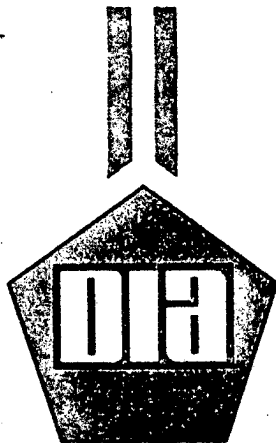
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- Growth in one key resource category, military procurement costs, has been slower since the mid-1970s. Both agencies, however, recognize the potential for increased growth the next few years, as the large number of new weapons programs now in R&D begin to move into full production.
- The two agencies hold virtually the same estimate of Soviet order-of-battle, especially in the major weapons systems where intelligence collection is concentrated. Because of different assumptions about such issues as war reserves and missile refires, however, CIA and DIA estimates of Soviet production of individual weapons systems can differ. In some cases, such as ICBM production, DIA estimates exceed those of the CIA, while in other cases, such as tactical aircraft, the reverse is true. These differences tend to offset each other in assessments of overall defense costs, but of course can be significant in assessing cost trends in particular weapons categories.

With regard to estimates of the Soviet defense effort in ruble terms, the two agencies use very different approaches. The CIA method uses a detailed description of Soviet military activities to develop an estimate of Soviet defense expenditures in constant prices. DIA works from Soviet budgetary, financial and economic data to develop an estimate in current prices. Because of these pricing and methodological differences, individual estimates of spending levels and growth rates are not directly comparable. Nonetheless, both CIA and DIA estimates show more rapid growth of expenditures for overall defense and for military procurement activities during the 1960s and early 1970s than in the period since then.

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DEFENSE
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The Defense Intelligence
Agency and Central
Intelligence Agency Ruble
Estimates of Soviet
Defense Expenditures (U)

AUGUST 1983

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